

MINUTES OF THE
HIGHER EDUCATION APPROPRIATIONS SUBCOMMITTEE
THURSDAY, JANUARY 19, 2006, 2:00 P.M.
Room W020, West Office Building, State Capitol Complex

Members Present: Sen. Greg Bell, Co-Chair
Rep. Kory M. Holdaway, Co-Chair
Sen. Carlene Walker
Sen. Patrice Arent
Rep. Sheryl Allen
Rep. David Clark
Rep. Bradley Daw
Rep. Margaret Dayton
Rep. John Dougall
Rep. Susan Lawrence
Rep. Scott L. Wyatt
Rep. Carol Spackman Moss
Rep. Patricia W. Jones
Rep. LaWanna "Lou" Shurtliff

Members Excused: Sen. Peter Knudson
Sen. Dan Eastman

Staff Present: Spencer Pratt, Senior Legislative Fiscal Analyst
Jonathan Ball, Legislative Fiscal Analyst
Rolayne Day, Secretary

Public Speakers Present: Commissioner Richard Kendell
Michael Peterson, Executive Director, UEN
Lynn Sorenson, Duchesne County School District
Duane Jensen, Duchesne County School District
Patty Bingham, Faculty, Dixie State College
Ryan Weiss, Student, Dixie State College
Kevin Walthers, Assistant Commissioner, USHE
Mark Spencer, Associate Commissioner, USHE
Darrell White, President, UCAT
Kim Hood, Governor's Office of Planning and Budget

A list of visitors and a copy of handouts are filed with the committee minutes.

1. Call to Order—Committee Co-Chair Holdaway called the meeting to order at 2:15 p.m.
2. Approval of Minutes—There were no minutes to approve.
3. UEN—Fiscal Analyst Jonathan Ball—The Committee still needs to take action on one base budget item, the funding shift for UEN from the General Fund to Income Tax. Three additional items listed in the Budget Book (Tab 3, Issue Briefs UEN-01, 02, and 03) also need to be considered. The Analyst recommends \$2.05 million in ongoing funds from Income Tax for network infrastructure development to complete the current network expansion initiative (Issue Brief UEN - 02); \$200,000 from Income Tax

in ongoing funds and \$800,000 in one-time funds from Income Tax for Internet protocol videoconferencing (Issue Brief UEN - 01); and \$2.2 million in one-time funds for up-front licensing and equipment costs and \$636,000 in ongoing funds for support contracts and personnel to implement a centralized course management system (Issue Brief UEN - 03).

UEN Executive Director Michael Peterson demonstrated IP video capabilities already completed in the Uintah Basin, and the differences between IP video (at Dixie State) and EDNET (Tintic High School).

Duane Jensen, Duchesne County School District Technology Specialist, discussed how UEN is used in that school district with the additional band width and IP video capabilities. Students, parents, and teachers can use the network for services from student maintenance to finances. Small districts would not have these kinds of services without UEN.

Lynn Sorenson said IP video has increased the curriculum dramatically at his school in Roosevelt. The Internet provides teachers with numerous resources including lesson plans, video segments, and online testing. In addition, the increased bandwidth allows them to run all services simultaneously.

Dr. Peterson introduced Patty Bingham, a faculty member at Dixie State College, who teaches an art class entirely online. Ms. Bingham introduced Ryan Weiss, a student at Dixie. The home page for Ms. Bingham's course was displayed for the Committee, and Ms. Bingham discussed how the course works. Students are located all over the world including soldiers in Iraq who can keep up with their education while serving in the armed forces. Mr. Weiss found the art course educational and very effective. He was very pleased with this and other online courses he has taken at Dixie.

Tintic School District Superintendent Ron Barlow discussed the impact EDNET has had on students in that area. He introduced students who will not only be graduating from Tintic High School, but will also graduate with an AS Degree at the same time because of distance education. Statistics show that 53% of the students at Tintic High School participate in EDNET courses some time during high school; 14% have also graduated with AS degrees over the last few years.

Rep. Moss asked about the screen resolution and sound capabilities demonstrated. Dr. Peterson said that the Duchesne School District feed is sharper because it is an IP Video site; Dixie's site is an analog legacy site that is scheduled to be converted by summer. The differences illustrate the improved quality and increased flexibility provided by IP video. Rep. Holdaway said he is glad that Utah leads the nation in this type of technology and it is one answer to stressed budgets and to bridge educational gaps in smaller areas. He thanked those working to make this possible.

Dr. Peterson referred to a handout summarizing the budget requests from UEN. A summary table (page 5) gives details for the request of \$3,036,000 in on-going funds and \$3,000,000 in one-time funds for a total of \$6,036,000.

Sen. Bell asked why there is a request to move network infrastructure to on-going funding. Dr. Peterson said network improvements are based on multi-year contracts that need on-going funding. The cost is covered about 1/3 by the State and about 2/3 by the federal government through e-rate funds. Rep. Wyatt congratulated the students at Tintic High School for their accomplishments.

Rep. Holdaway asked Mr. Pratt to keep a running list of requests so that the Committee can prioritize them when the time comes.

4. Regents' Overview of USHE and UCAT Requests—Commissioner Richard Kendell said higher education provides several returns on the State's investment. The first return is individual advancement demonstrated by the number of certificates, and associate, bachelor and graduate degrees awarded by the system. Commissioner Kendell discussed a handout/presentation showing how each degree increases the financial benefits for the individual as well as the State. A person with a bachelor's degree earns about double that of someone with a high school degree over a lifetime. People with bachelor's degrees also vote more and are more healthy.

The second return is that USHE programs develop Utah's workforce. Utah wages are about 82% of the national average, and education leads to higher pay. Even though most jobs in Utah don't require an education, those jobs don't pay well and won't build the economy. The six fastest track fields all require higher education: nursing, pharmacy, technology professional, physician's assistant, and physical therapist.

The third return is that institutions build new knowledge and Utah is a leader in several research and development areas.

The fourth return is advancement of the arts and humanities. There are cultural experiences for everyone in the areas where USHE institutions are located.

The fifth return is research and development conducted by USHE institutions that leads to economic development. This research has created 29,561 jobs (\$770.3 million in income) with \$2.2 million in business activity and \$62.2 million in tax revenue. Higher education research and development is at the heart of economic development.

Commissioner Kendell said State funds per FTE student have decreased since 1999. The first goal and priority of higher education is compensation. A handout/presentation showed statistics for 1% through 5% salary increases. The USHE requests that the legislature give higher education the same salary package as public employees. Commissioner Kendell said that the benefits are leaner, but they are asking for the same COLA and merit pay. They also request \$5 million for employee retention funding.

Commissioner Kendell said that if the institutions don't get utility rate increases (\$5,024,100), they will have to raise tuition; reallocation will not address the problem. Rep. Holdaway expressed surprise that retention money is prioritized before the fuel and power request. Commissioner Kendell said the retention request is really considered as part of compensation.

Student success funding is requested to free up bottleneck courses, hire advisors, and address staffing needs. It also includes matching funds for need-based aid, UCOPE, and the New Century and T. H. Bell Scholarships. A second student success category covers access, advising, retention and graduation. The State Board of Regents request of \$7.5 million for mission-based funding includes new, demand-driven programs, enhancements of existing programs, program quality enhancements, and workforce partnerships.

The Regents request funding for the Engineering Initiative (year 5 of 5), the Nursing Initiative (year 3 of 3), and Jobs Now (year 2). They would like the \$700,000 in one-time money moved to on-going. There is also a request of \$5 million for regional partnerships/institutional initiatives and economic development initiatives.

Rep. Holdaway informed the Committee that the USHE request is summarized under the light blue tab in the Budget Book. Commissioner Kendell said all presentations from the USHE office are e-mailed to Committee members and include links to other sites that provide additional information.

Sen. Arent asked if the request is adequate. Commissioner Kendell said it doesn't cover all of the need, but they are trying to remain faithful to last year's budget agreements. Sen. Arent said there are qualified people waiting to go into nursing. Commissioner Kendell said there are also more engineering jobs available than can be filled by the system.

Rep. Clark asked about the benefits request. Associate Commissioner Mark Spencer said the benefits cost is the same as that for public employees, but the percentage is lower for higher education. Analyst Spencer Pratt said leadership is looking at health increases for state employees at about 10.7%; that same percentage will be applied to higher education. It comes out to a little more than the COLA factor and that will be fixed. There is also a small increase in the retirement benefits. Once that's covered, any COLA amount will be added on top at around \$9 million per percentage point.

Rep. Dougall asked how to determine the success of the Engineering Initiative. Commissioner Kendell said the initial goal was to double the number of engineering graduates. Full funding was never realized to meet that goal, and although the number of graduates has not doubled, major gains have been made. Engineering colleges have high standards and it isn't easy to get in or to finish. There are jobs waiting for all the graduates.

Rep. Lawrence asked if higher education is addressing the looming teacher shortage. Rep. Allen is concerned about the larger-than-anticipated student growth and that public education is going to lose a generation of teachers soon. She asked the Regents to study that issue. Commissioner Kendell said the T.H. Bell Scholarship request would help address the teacher shortage. Higher education has to address the situation with public education, especially in math, science and other critical needs.

UCAT President Darrell White, said UCAT is training the technical workforce for the state of Utah. They are pleased with that mission and not interested in mission creep. The first priority for UCAT is compensation and they request an equivalent package to State employees. Every 1% increase in salary would cost \$319,300. They are also requesting additional retention funds.

The second priority is a group of special initiatives that includes membership hour growth, funding for central administration staff (essential to support the system), the student information system, the Jobs Now Initiative, the Custom Fit Training Program (no new money since 1997), UCAT accreditation (one campus is now accredited, three others are close, and the other five are in various stages of the process), and various campus economic development initiatives.

The third priority is for infrastructure and operational budget needs unique to UCAT. The law requires that UCAT look for partnerships with public or higher education or at leasing public buildings to increase space. UCAT requests funding for four leases on three campuses and will provide details at later meetings. They also request funding for special initiatives including O & M costs, utility rate increases, IT licensing, security and equipment; capitol training equipment; and ADA instructional programmatic costs.

One-time requests include funding for final hardware requirements for each campus and the NorthStar student information management system; capitol training equipment (business and industry are adamant that workers be trained on current equipment), Custom Fit Training (for partnerships with the Governor's

Office of Economic Development), and various campus-specific projects. Supplemental funding is requested for two campuses that need additional funding for existing leases and utility rate increases for the current year.

Rep. Dougall asked why Custom Fit training is mostly subsidized by the State rather than employers. Dr. White said it is about a 50/50 match that aids economic development as an incentive for new companies to come to Utah. Custom Fit is also used for existing companies that may be struggling or that want to expand. Rep. Dougall said getting a company on the dole leads to dependence, not economic development. Rep. Shurtliff said Custom Fit is very successful and gave an example of how it is a wise investment for the State.

5. Governor's Overview of USHE, UCAT, and MEC Budgets—Kim Hood, Budget and Policy Analyst, GOPB, distributed a handout summarizing the Governor's budget recommendations for higher education, UCAT, UEN, and the Medical Education Council. The Governor feels there should be a strong emphasis on education so that the next generation can achieve their dreams and create world-class businesses. He recommends \$12 million to recruit research teams and \$50 million for infrastructure and a research base for these teams. The Governor feels that compensation is critical to ensure the success of lifelong learning. He proposes a package that is comparable to state employees including a 2.5% salary increase, benefit equivalent funding, and retention of key faculty and staff (funded at a 25%/75% tuition/tax fund ratio).

Ms. Hood discussed the Governor's recommendations shown on the handout for higher education, UCAT, the Medical Education Council, and UEN. Among the Governor's recommendations are funding for the Nursing and Engineering Initiatives and \$2 million for financial aid to help break down barriers to education.

6. Fiscal Analyst's Overview of USHE, UCAT, and MEC Budgets—Mr. Pratt said the Executive Appropriation Committee has not allocated additional money to subcommittees or the Analysts' Office. The Analysts' recommendations are what that office considers important after a rigorous analysis and discussion. They are recommendations only and don't include funding to cover them. Mr. Pratt referred the Committee to Tab 3 in the Budget Book. The first page is a summary and the remaining pages provide details of the recommendations as issue briefs. The recommendations do not include compensation that will be determined by the Executive Appropriations Committee later in the session. Some recommendations match requests, some are higher or lower, and some are not included. Tab 18 gives the Analyst's recommendations for the Medical Education Council.

The summary under Tab 3 shows the Analyst's recommendations for supplementals, ongoing, and one-time funding for the USHE, UCAT, and UEN. USTAR is recommended, but there is not an issue brief because that is handled in the Economic Development Subcommittee. The USU relocation request will go through the Capitol Facilities Subcommittee.

Rep. Holdaway asked if the USTAR request of \$5 million for regional and institutional initiatives would be determined by the Higher Education Subcommittee. Mr. Pratt said it would if it is a Committee priority.

Mr. Pratt noted that the recommendations for internal service adjustments are for fleet services and risk management—the State provides the service and bills the institutions. The rates are going down so it will be adjusted accordingly.

Rep. Shurtliff asked for a summary sheet showing USHE requests, the Analysts' recommendations and the Governor's recommendations. Mr. Pratt will get that summary for a later meeting.

Sen. Bell noted that the USHE has requests of \$44 million (\$30 million over the Analyst's recommendations), UCAT \$10 million, and UEN \$3 million for a total of \$60 million. If the budget is increased 3%, for example, roughly \$25 million would be available. New on-going money is about \$230 million. With the adoption of the base budget and the growth in public education, there is about \$205 million available for all subcommittees.

Rep. Holdaway said the Committee will receive information and discuss issues during meetings so that members can make informed decisions during the last two meetings.

MOTION: Rep. Shurtliff moved to adjourn.

Committee Co-Chair Holdaway adjourned the meeting at 4:40 p.m.

Minutes were reported by Rolayne Day, Secretary.

Sen. Greg Bell, Committee Co-Chair

Rep. Kory M. Holdaway, Committee Co-Chair